

Message Text

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ACTION ARA-14

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AMEMBASSY BRASILIA
AMCONSUL SAO PAULO

C O N F I D E N T I A L BUENOS AIRES 4035

E.O. 11652 GDS
SUBJECT MAJOR PROJECT: YACIRETA APIPE HYDROELECTRIC PROJECT
CIVIL WORKS

REF: 125820

1. RUMOR THAT THE ENTIDAD BINACIONAL YACIRETA (EBY) INTENDS NOT TO PREQUALIFY THE MENDES JUNIOR UNITED ENGINEERS CONSORTIUM HAS BEEN CONFIRMED TO EMBASSY BY AMERICAN ENGINEERS WORKING AS CONSULTANTS FOR THE EBY (HARZA ENGINEERING OF CHICAGO/CLOSELY PROTECT. PLEASE DO NOT TELL WHO SOURCE OF INFO IS). HARZA STATED FLATLY THEY HAD INSTRUCTIONS TO FIND A WAY TO DISQUALIFY MENDES JUNIOR AND THE TWO OTHER BRAZILIAN FIRMS ALSO IN THE RUNNING. THERE HAVE BEEN SOME PRESS STORIES IN THE LOCAL NEWSPAPERS SPECULATING ABOUT THIS AS WELL.

2. COMMATT CALLED ON HEAD OF THE EBY TO ENQUIRE ABOUT REPORT. ING PEGORARO, EXECUTIVE VICE PRESIDENT OF THE ENTIDAD BINACIONAL YACIRETA ASSURED COMMATT THAT HIS ORGANIZATION WAS NOT CONTEMPLATING SUCH AN ACTION. HE AGREED THAT SUCH A MOVE WOULD IN FACT VIOLATE THE CHARTERS OF THE INTERAMERICAN DEVELOPMENT BANK (IDB) AND OF THE
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WORLD BANK, OF WHICH BRAZIL IS A MEMBER, GIVEN THAT THE BANKS ARE FINANCING THE CONSTRUCTION OF THE DAM. HOWEVER, PEGORARO NOTED THAT THERE WERE A NUMBER OF OTHER REASONS WHY FIRMS MIGHT NOT BE PREQUALIFIED, INCLUDING THEIR FAILURE TO MEET THE TECHNICAL REQUIREMENTS OF THE PREQUALIFICATION BID SPECIFICATIONS. HE SAID, HOWEVER, HE HAD NO REASON AT THIS POINT TO

BELIEVE THAT THE MENDES JUNIOR UNITED ENGINEERS

CONSORTIUM FAILED TO MEET THOSE STANDARDS.

3. IN CONVERSATION WITH HARZA COMMATT WAS TOLD THE REASON ARGENTINA DID NOT WANT THIS CONSORTIA PRE QUALIFIED WAS GEOPOLITICAL: THE ARGENTINES UNWILLING TO HAVE BRAZILIAN FIRMS PARTICIPATING IN A MAJOR POWER PROJECT NEAR THE ARGENTINE BRAZILIAN FRONTIER. THERE ARE THREE BRAZILIAN FIRMS COMPETING IN THIE PRE QUALIFICATIONEXERCISE. IN ADDITION TO MENDES JUNIOR, THE FIRMS CAMARGO CORREA AND ANDRADE GUTIEREZ HAVE ASKED TO BE PREQUALIFIED. (SEPARATELY AND INDEPENDENTLY).

4. IN ANY CASE, EMBASSY FINDS IT DIFFICULT TO BELIEVE THAT ARGENTINES COULD BE SERIOUSLY CONCERNED ABOUT THE PARTICIPATION OF A BRAZILIAN FIRM IN A CONSORTIUM TO BUILD HYDROELECTRIC PROJECT ON THE ARGENTINE PARAGUAYAN BORDER. FURTHER MORE, NOW THAT THE CAT IS OUT OF THE BAG, WE DO NOT SEE HOW THE ARGENTINES COULD AVOID QUALIFYING THE BRAZILIAN FIRMS WITHOUT JEOPARDIZING THE WORLD BANK AND IDBS APPROVAL AND FUNDING OF THE PROJECT. FINALLY, THERE IS A GOOD POSSIBILITY THAT THIS RUMOR WAS A DELIBERATE PLANT ON THE PART OF THE ARGENTINE AUTHORITIES TO PUT PRESSURE ON THE BRAZILIANS DURING THEIR ONGOING NEGOTIATIONS OVER THE CONFIDENTIAL

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RATIONALIZATION OF THE RESOURCES OF THE UPPER PARANA. THE ARGENTINES MAY HOPE TO OBTAIN SOME CONCESSIONS AT THE NEGOTIATING TABLE ON THE HEIGHT OF THE HEAD AT ITAIPU AS RESULT OF SUCH A PLOY.

5. ACCORDINGLY WE BELIEVE THAT WITH THE APPROPRIATE AMOUNT OF PRESSURE ON THE WORLD BANK AND THE INTER AMERICAN BANK BY UNITED ENGINEERS AND THEIR CONSORTIUM PARTNERS, THERE IS LITTLE DANGER THAT THEY WILL NOT BE PREQUALIFIED (IF THEY CAN MEET OTHER PREQUAL REQUIREMENTS).

6. FYI - A SECOND US FIRM, MORRISON KNUDSEN HAS ALSO ASKED TO BE PREQUALIFIED. THEY ARE NOT AT THIS QPOINT ACTING IN PARTNERSHIP WITH ANY OTHER FIRMS.
CASTRO

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